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SUBJECT: PARLIAMENTARY INQUIRY LOSES CREDIBILITY AS FINANCE
MINISTER HITS BACK

REF: JAKARTA 1965 AND PREVIOUS

Classified By: Darcy Zotter, for reasons 1.4(b+d).

[1](#)1. (SBU) SUMMARY: Parliament's inquiry into the government's bailout of Bank Century is losing credibility as it escalates into a political in-fight between technocrat Finance Minister Sri Mulyani and wealthy businessman and Golkar Party leader Aburizal Bakrie. Mulyani's claims that the Golkar-led inquiry was a political gambit to discredit her due to her strained relationship with Bakrie sent some Golkar members into a tizzy. The media is abuzz with speculation about President Yudhoyono's next move. Though some legislators and activists have called for the suspension of Mulyani and Vice President Boediono, most observers believe Yudhoyono will not shake market confidence by sidelining the very officials most credited for Indonesia's current macroeconomic stability. END SUMMARY.

PARLIAMENTARY INQUIRY MOVES FORWARD

[1](#)2. (SBU) The parliamentary inquiry into the government bailout of Bank Century is moving forward rapidly. Golkar legislator Idrus Markham is leading the thirty-person inquiry team, which on December 14 announced that they will call Vice President Boediono, Finance Minister Sri Mulyani Indrawati, former Vice President Jusuf Kalla, and former National Police Chief of Detectives Susno Duadji before them. The team also plans to question top officials from the Supreme Audit Agency and the Financial Transaction Reports and Analysis Center (PPATK) this week. The inquiry team met with the Corruption Eradication Commission, the Indonesian National Police and the Attorney General to discuss the case on December 14.

GOLKAR LEGISLATOR CRIES WOLF

[1](#)3. (SBU) Bambang Soesatyo, Golkar legislator and initiator of the inquiry, claimed on December 11 to have evidence discrediting Finance Minister Mulyani. He told the media that he had a transcript of disgraced Bank Century owner Robert Tantular telling her at a meeting to just "conclude that the economy is in crisis." Mulyani fought back by denying having met Tantular. She produced a video tape of the meeting revealing that the person which Bambang claimed was Tantalar was actually someone else- Tantalar was not even at the meeting. This newest twist in the political drama has again fueled speculation that the inquiry is just a political ploy, with some in the press calling it "a witch hunt." As a Golkar contact told Poloff, most people think that Finance Minister Sri Mulyani and Vice President Boediono, now the focus of the investigations, are the "little fish being set up to take the fall for the big ones."

TIDE TURNING IN MULYANI'S FAVOR?

14. (SBU) Mulyani's rebuttal has effectively silenced many of her and Boediono's critics. Mulyani, a former IMF official and reform champion, has firmly maintained that she and Boediono bailed out the bank to maintain confidence and stability in the Indonesian financial system at the height of the global economic crisis. In the past several days, a chorus of business figures and political commentators has urged the DPR to refrain from politicizing the investigation and jeopardizing confidence in Indonesia's political and economic stability.

CLASH OF THE TITANS: TECHNOCRAT MULYANI VS. BIG BUSINESS AND GOLKAR CHAIRMAN BAKRIE

15. (SBU) Bambang's allegations came after Mulyani bluntly told the Wall Street Journal Asia last week that she felt the Golkar-led House inquiry was a political gambit to discredit her due to her strained relationship with the Golkar Party's leader, wealthy businessman Aburizal Bakrie. She has been at odds with Bakrie since she refused to keep Indonesia's stock exchange closed in October last year to benefit Bakrie companies whose share values had plunged. (Note: The stock market was closed for three days at the height of the crisis last year. Mulyani was pressured to keep it closed to protect Bakrie's stocks from plunging further; she reportedly threatened to resign over the matter, and the market was re-opened.)

16. (SBU) Most analysts have characterized the Mulyani-Bakrie

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clash as that of reformists vs. entrenched big business interests. Mulyani is well-known for dismissing corrupt tax and customs officials and cleaning up the Ministry of Finance. Her strong stance on corruption and effective implementation of sound economic policies has helped boost Indonesia's image as an increasingly attractive place for investment. In contrast, the Bakrie Group is well known for its sense of privilege and influence; Bakrie helped fund Yudhoyono's campaign. Moreover, it is an open secret that Bakrie has vice-presidential designs in the unlikely event that Boediono is ousted.

GOLKAR PARTY AND PARTAI DEMOKRAT AT ODDS

17. (C) Mulyani infuriated Golkar members by saying that she did not expect them to treat her fairly during the inquiry due to her history with their boss. A close Bakrie confidante and Golkar legislator told Poloff that Mulyani's comments against the "Golkar family" were unprofessional and an over-reaction. She denied that the bad blood between Mulyani and Bakrie and the parliamentary inquiry were connected. Pointing out that the party has disciplined inquiry initiator and maverick Bambang for not toeing the party line in the past, she pinned the inquiry on his desire to be in the media limelight, calling it "unethical". While Bakrie remains silent for now, Golkar is meeting December 15 to decide whether to keep Bambang and another Golkar legislator on the inquiry team. Meanwhile, Partai Demokrat (PD) members are rejoicing as the harsh glare of public scrutiny shifts to Golkar's motives for the inquiry. PD legislator told Poloff, "Bakrie has endless ambition", noting that independent technocrats Mulyani and Boediono are vulnerable to his ambition because they don't have the protective backing of political parties.

YUDHOYONO'S NEXT MOVE?

18. (SBU) The media is focused on President Yudhoyono's next move. Will he do anything to quiet this political scrum between the party head of his largest coalition partner and two of his most respected Cabinet members? As Yudhoyono headed off for an eight-day tour of four European countries,

analysts were undecided. Following Mulyani's statements to the Wall Street Journal, Yudhoyono cancelled an appointment to receive the Parliament's "Team of Nine" which had led support for the Century probe. His Coordinating Minister for the Economy, Hatta Rajasa, rejected calls for suspension and supported Mulyani and Boediono continuing in their positions during the course of the inquiry. Meanwhile, Parliament's Partai Demokrat Speaker, Marzuki Alie, told reporters that Yudhoyono would stand by his team. Some Golkar legislators and civil society activists continue to press for the suspension and/or removal of Mulyani and Boediono, but other coalition partners have not joined in those calls. As the country remains riveted on this latest political drama, it seems unlikely that President Yudhoyono would risk jeopardizing hard-won confidence in Indonesia's economy by dismissing Mulyani or Boediono.

HUME